

**Resolution of the Electric Utility Commission**

**February 28, 2011**

**Eliminating General City Expenses from Austin Energy's 2012 Budget to  
Protect City Council Powers to Amend Rates without Appeal to the Public Utility Commission**

**Whereas**, the Electric Utility Commission (EUC) is a citizen advisory board established to advise the City Council on matters relating to Austin Energy;

**Whereas**, since 2007 the EUC has passed resolutions each year calling on the City Council to remove from Austin Energy's operating budget expenses that fund general city programs that do not directly relate to the Austin Energy's business as a utility;

**Whereas**, this Resolution does not relate to the general fund transfer, but only addresses operating expenses that Austin Energy is being required to carry in its annual operating budget;

**Whereas**, several of the EUC's prior resolutions on this subject are attached to this resolution;

**Whereas**, an appeal of Austin Energy's rates to the Public Utility Commission (PUC) is much more likely if Austin Energy is required to absorb City of Austin expenses for activities that are not used or useful in the production or transmission of energy by Austin Energy;

**Whereas**, Austin Energy is preparing to amend its rates in 2012;

**Whereas**, an appeal of Austin Energy's proposed rates to the PUC would be very expensive and expose all Austin Energy customers to considerable risk and uncertainty;

**Whereas**, the EUC prefers local, not state, control over Austin Energy's rates;

**Whereas**, the City should position itself as soon as possible to minimize the chance of such an appeal to the PUC or, in the alternative, to maximize its chance of success in the event of such an appeal;

**Whereas**, the City should eliminate in Austin Energy's 2012 budget as many items as possible that would weaken Austin Energy's position in front of the PUC, such as expenses borne by Austin Energy that are not used or useful in the production or transmission of energy by Austin Energy;

**Therefore, be it Resolved**, the City Council should direct the City Manager to work with Austin Energy's attorneys to identify items in the Austin Energy 2012 budget that are most likely to make Austin Energy's approved rates in 2012 subject to an appeal to the PUC and, in the event of such an appeal, are most likely not to be approved by the PUC when calculating Austin Energy's rates;

**Resolved**, the City Manager should report those items to the EUC and City Council no later than April 15, 2011 so that as many of those items as possible can be removed from the 2012 Austin Energy budget.

**Electric Utility Commission  
Resolution  
August 16, 2010**

WHEREAS, since at least 2007 the EUC has annually recommended that ratepayers not be required to fund the Economic Growth and Redevelopment Services Office (EGRSO), particularly if Austin Energy is unable to control the spending of money it contributes to that office;

WHEREAS, Austin Energy's transfer to EGRSO has grown from \$4.2 Million in 2001 to \$8.5 Million in 2009 and is projected to be \$9.8 Million in 2010 – 2011;

WHEREAS, the mission of EGRSO is worthwhile and important, so much so that the City should pay for it directly;

WHEREAS, Austin Energy's assistance to low income residents through the Customer Assistance Program (CAP) was approximately \$350,000 last year, with \$300,000 coming from Austin Energy and approximately \$50,000 coming from customer donations.;

WHEREAS, the rates paid by customers eligible for Customer Assistance Program are expected to increase significantly in the spring of 2011 when Austin Energy's contract for the first batch of green energy expires;

WHEREAS, the Mayor's Generation Planning Task Force unanimously recommended that Austin Energy establish an auction system available to Austin's current large employers to bid on energy conservation measures to be implemented by those employers;

WHEREAS, many of Austin Energy's large customers have been harmed by the economic crisis, and it is appropriate to remind Austin Energy's existing large customers how valued they are by Austin Energy;

WHEREAS, the Electric Utility Commission believes that the Customer Assistance Program should receive guaranteed funds sufficient to avoid a rate increase in 2011, while EGRSO should only be eligible to receive voluntary contributions from the ratepayers who elect to do so;

WHEREAS, Austin Energy is preparing for a rate case in 2012 and in preparation for that rate case should eliminate as many expenditures as possible that are not related to Austin Energy's core mission of delivering electrical energy and providing related services;

Resolved, that the proposed 2010 – 2011 budget for Austin Energy is NOT APPROVED unless the following modifications are made:

1. The approximately \$9.8 million allocated for EGRSO be DELETED and be replaced with the following:

- a. \$3,200,000 be allocated towards the Customer Assistance Program, which should be allocated first towards avoiding a rate increase for those CAP customers affected by the expiration of the E01A Green Choice Rate in spring of 2011 and any excess being used for programs benefitting low and middle income customers as approved by the City Manager;
  - b. \$3,200,000 be allocated towards an auction for energy conservation programs in which existing large Austin employers and other customers or groups of customers are allowed to participate to use money for DSM projects so long as such projects are tied to verifiable new commitments of jobs and/or preservation of existing jobs, as determined by the City Manager; and
  - c. \$3,400,000 be allocated towards reducing the planned deficit of Austin Energy;
2. That the current \$300,000 budget for CAP be dedicated to EGRSO; and
3. The current voluntary program of funding the Citizens Assistance Program be ABOLISHED and in lieu thereof every ratepayer be invited to check the same box available on utility bills that is currently used to fund CAP and instead that box be used for making a voluntary contribution to EGRSO.

**5. EXECUTIVE SESSION**

Andy Perny, Assistant City Attorney, read aloud Section 551.086 of the Texas Government Code allowing the Commission to conduct a closed session to discuss or take action on a competitive matter of Austin Energy.

At 7:10 p.m., the Commission convened an Executive Session on Commissioner Fath's motion and Commissioner Taylor's second, by a 6-0 vote. Elaine Hart and David Kutach provided additional information on Austin Energy's proposed budget.

At 7:40 p.m., Chair Schmandt closed the Executive Session and reconvened the regular session of the meeting without objection.

**6. NEW BUSINESS**

Commissioners continued discussion of Austin Energy's proposed budget. Chair Schmandt suggested that Austin Energy work to end financial responsibility for the Economic Growth and Redevelopment Services Office (EGRSO) or exercise greater oversight of that department.

Austin Energy's Proposed Budget for FY 2009-2010 was recommended for approval by City Council on Commissioner Schmandt's motion and Commissioner Webber's second, on a 6-0 vote, with the following caveats: 1) that the Commission's recommendations for the General Fund transfer be considered and 2) that, in future years, either the funding of EGRSO in Austin Energy's budget decline or Austin Energy exercise greater oversight of the department.

**7. FUTURE AGENDA ITEMS**

In October, the Commission would like to update the resolution regarding the General Fund transfer.

**8. ADJOURNMENT**

Chair Schmandt adjourned the meeting at 8:17 p.m. without objection.

**Resolution  
Electric Utility Commission  
August 20, 2007**

**Austin Energy's proposed 2008 budget includes \$6.2M to fund Economic Growth and Redevelopment Services and its 41.75 FTEs. This is a small increase from the 2007 budget of \$5.7M and 39 FTEs. The 2008 budget proposes creation of 668 new jobs while 2007 estimates 475 new jobs.**

**The stated mission of EGRSO is to develop a sustainable cultural and economic environment for the community that enhances the livability and economic vitality of Austin. While the Electric Utility Commission fully supports the mission of EGRSO, we believe the General Fund is a more appropriate source for its funding than Austin Energy. Please note that the 2008 EGRSO budget funds 10 employees for cultural arts, 16 employees for economic development, 11 employees for small business development, and 4 employees for support services. EGRSO management does not report to the General Manager of Austin Energy but rather reports to an Assistant City Manager.**

**The rationale for funding by Austin Energy has been that economic growth brings profit to Austin Energy from increased electricity sales to new businesses and expanded existing businesses. It is our considered opinion that economic growth brings far greater revenue increases to the General Fund in the form of increased property taxes and increased sales taxes than it brings in electricity profits to Austin Energy.**

**The EUC has no desire to impact the 2008 budget process at this late date by suggesting a \$6.2M increase to the General Fund from sources other than Austin Energy. What we do hope is that the City Council will address this issue in the near future and consider the advisability of informing the City Manager at an early date that an appropriate portion of funding for EGRSO in 2009 and subsequent years should come from sources other than Austin Energy.**